

TARIFF ACTION MEMORANDUM

Date: December 23, 2020

Date Filed: December 1, 2020

Statutory End Date: December 31, 2020

To Commissioners:

Robert M. Pickett, Chairman
Stephen McAlpine
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

From: Brenda Cox, Utility Financial Analyst

Subject: TL7-752 – Swanson River Oil Pipeline, LLC, 2021 Tariff Rate Revision

Staff recommends the Commission:

- 1 Approve Tariff Sheet No. 13, filed on December 1, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule BKC-1.

Signed: Brenda Cox Title: Utility Financial Analyst
Brenda Cox

Commission decision re this recommendation:

	DATE (If different from 12/23/20)	I CONCUR	I DO NOT CONCUR	I WILL WRITE A DISSENTING STATEMENT*
Pickett	_____	<u>RMP</u>	_____	_____
McAlpine	_____	<u>SM</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	_____	<u>JW</u>	_____	_____

*If this column is initialed, Staff will contact the Commissioner for the statement. Otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Robert M. Pickett, Chairman
Stephen McAlpine
Antony G. Scott
Daniel A. Sullivan
Janis W. Wilson

Date: December 23, 2020

File: TL7-752

Re: Swanson River Oil
Pipeline, LLC 2021
Tariff Rate Filing

From: Brenda Cox, Utility Financial Analyst

Recommendations

1. Approve Tariff Sheet No. 13, filed on December 1, 2020, with an effective date of January 1, 2021. A side-by-side copy is attached as Schedule BKC-1.

Background

The Swanson River Oil Pipeline (SROP)¹ is an eight-inch diameter crude oil pipeline, approximately 18.83 miles in length, that provides transportation of crude oil produced from the Swanson River Field to the piping and terminal facilities of Kenai Pipeline Line Company's Nikiski Marine Terminal.²

In Order P-15-020(5) the Commission accepted, in part, a stipulation filed on October 17, 2016, by SROP and the Office of the Attorney General, Regulatory Affairs and Public Advocacy Section (RAPA). Order P-15-020(5) allowed a temporary rate of \$0.42 per barrel to go into effect November 1, 2016.³ RAPA and SROP entered into a settlement agreement dated November 29, 2016, which established the Swanson River Oil Pipeline Methodology (SROPM) for calculating annual maximum rates on SROP's

¹ The Commission approved the transfer of ownership of the pipeline from Hilcorp Alaska to Swanson River Oil Pipeline, LLC. See Order P-15-011(3), *Order Granting Joint Application, Accepting Corporate Guaranty, Addressing Previously Filed Guaranty, and Requiring Filings*, dated November 25, 2015. SROP is owned by Harvest Alaska, a subsidiary of Hilcorp Alaska.

² See Tariff Agreement by and between SROP and RAPA, filed November 29, 2016.

³ Order P-15-020(5), *Order Accepting Stipulation, In Part; Allowing Collection of Temporary and Refundable Rate; and Requiring Filing*, dated October 27, 2016.

pipeline. The Commission accepted the 2016 Settlement Agreement which made the \$0.42 per barrel rate permanent.⁴

The Settlement Agreement specifies that SROP is required to file by December 1 of each year a transportation rate for the following calendar year. The rate may be no higher than the maximum rate.⁵ SROP is required to provide all supporting information used to calculate the maximum rates to RAPA 60 days before filing its transportation rate on December 1 of each year.⁶

Filing

On December 1, 2020, SROP filed TL7-752, proposing to decrease its rate for the intrastate transportation of petroleum from the Swanson River Field to the Tie-In point with KPL Facilities at the Nikiski Marine Terminal, from \$5.95 per barrel (bbl)⁷ to \$5.54 bbl, effective on January 1, 2021. TL7-752 included a copy of Tariff Sheet No. 13, a hard copy printout of the 2021 rate model, and SROP's subscribers list. SROP indicated a copy of the enclosed tariff sheet has been sent to each subscriber on SROP's subscribers list.⁸ SROP asserted the decrease in rates is primarily due to an over collection in 2020.⁹

SROP advised it provided its preliminary 2021 tariff calculations to RAPA on September 30, 2020.¹⁰ Although the Commission did not impose any condition on SROP to provide a disk containing the calculation of the rates using the SROP M, on December 2, 2020, SROP provided Staff the 2021 rate model and Staff held it confidential pursuant to 3 AAC 48.040(b)(10).¹¹

⁴ Order P-15-020(07), *Order Granting Joint Motion, Accepting Agreement, And Requiring Filings*, dated December 14, 2016.

⁵ See Section I-3(e) of the Settlement Agreement.

⁶ See Section I-4(a) of the Settlement Agreement.

⁷ This rate was filed in TL6-752 and approved with L1900466, dated December 23, 2019, effective January 1, 2020.

⁸ TL7-752, page 1.

⁹ See Supplement filed December 7, 2020.

¹⁰ See Supplement filed December 7, 2020.

¹¹ 3 AAC 48.040 Confidential Records.

Notice

TL7-752 was noticed to the public on December 1, 2020, with a comment period ending December 22, 2020. No comments were filed.

Analysis

Staff reviewed the components¹² of the Settlement Agreement and the confidential Excel schedules provided with TL7-752 and verified the rates were calculated in accordance with the SROP. Staff reviewed the Settlement Agreement¹³ noting that the cost of service is calculated as follows: Operating Expenses + Amortization of Unusual or Non-Recurring Costs as permitted by RCA regulatory policy or precedent + Depreciation Expense + Return on Rate Base + Net Carryover. Under the SROP, the maximum rate is calculated by dividing the projected total cost of service by projected throughput volumes.¹⁴

Staff also reviewed the model and verified SROP's assertion that the decrease in rates is primarily due to over collection in 2020. Staff verified that the stipulated balances¹⁵ and rates of return¹⁶ have been properly utilized in SROP's TL7-752 rate calculations and that the calculations otherwise appear to comply with the Settlement Agreement.

Staff has not recalculated the model's computations, but rather accepts that the SROP model accepted by the Commission in Order 7, functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the 2021 rate calculation because much of the 2021 rate

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

¹² See Sections II-3, II-5(b) &(d), II-6(a), II-8, II-9, and II-10 of the Settlement Agreement.

¹³ See Section II-3(a) of the Settlement Agreement.

¹⁴ See Section II-1 of the Settlement Agreement.

¹⁵ See Sections II-5(b) & (d), II-6(a), and II-8(b), of the Settlement Agreement.

¹⁶ See Section II-9(b)-(e) of the Settlement Agreement.

calculation is derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the SROP.

Conclusion

Staff's review of TL7-752 indicates that SROP's proposed rate revision, as calculated, are less than or equal to the maximum allowable rate in accordance with the Settlement Agreement, and therefore, Staff recommends the Commission approve Tariff Sheet No. 13, filed in TL7-752 on December 1, 2020, effective January 1, 2021.

Signature: 

Email: bob.pickett@alaska.gov

Signature: 
Stephen McAlpine (Dec 23, 2020 12:23 AKST)

Email: stephen.mcalpine@alaska.gov

Signature: 
Antony Scott (Dec 23, 2020 12:43 AKST)

Email: antony.scott@alaska.gov

Signature: 
Daniel Sullivan (Dec 23, 2020 14:20 AKST)

Email: daniel.sullivan@alaska.gov

Signature: 
Janis Wilson (Dec 23, 2020 15:14 AKST)

Email: janis.wilson@alaska.gov

RCA No. 752 Fifth Revised Sheet No. 13

Cancelling

Fourth Revised Sheet No. 13

RECEIVED
NOV 27 2019
STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

SWANSON RIVER OIL PIPELINE, LLC			
	<u>FROM</u>	<u>TO</u>	<u>RATE CENTS PER BARREL OF 42 UNITED STATES GALLONS</u>
3.1	Swanson River Field, Kenai Peninsula	Tie-In Point with KPL Facilities at Nikiski Marine Terminal	595.00 [I]
[I] denotes an Increase			
TL6-752		Effective: January 1, 2020	

Issued by: Swanson River Oil Pipeline, LLC

By: 
Sean Kolassa

Title: President
Swanson River Oil Pipeline, LLC

RCA No. 752 Sixth Revised Sheet No. 13

Cancelling

Fifth Revised Sheet No. 13



SWANSON RIVER OIL PIPELINE, LLC			
	<u>FROM</u>	<u>TO</u>	<u>RATE CENTS PER BARREL OF 42 UNITED STATES GALLONS</u>
3.1	Swanson River Field, Kenai Peninsula	Tie-In Point with KPL Facilities at Nikiski Marine Terminal	554 [R]
[R] denotes a Reduction			
TL7-752		Effective: January 1, 2021	

Issued by: Swanson River Oil Pipeline, LLC

By: 
Richard Novcaski

Title: Vice President
Swanson River Oil Pipeline, LLC